

The rigour that the CA course demands is in itself a huge learning: Kumar Mangalam Birla



Kumar Mangalam Birla is one of the most dynamic businesspersons and industrialists of our nation. He is the Chairman of one of the biggest corporations, *Aditya Birla Group*, in India, which is one of the top three largest business houses of India. Through his *Aditya Birla Nuvo*, which controls the financial services business of *Aditya Birla Group*, he has applied for banking services recently. A fourth generation representative of the Birla family, Kumar Mangalam Birla spent his early life in Kolkata and Mumbai. A chartered accountant by training, he did his graduation in Commerce from the University of Bombay and, later, he earned his MBA from the University of London, UK. In a candid interview, he pours his heart out to the Editor of *The Chartered Accountant*, CA. Subodh Kumar Agrawal. Read on...

Editor: *You got at the helm of Aditya Birla Group at a tender age of 28 years. Were there any apprehensions in your mind as to how you will be able to handle illustrious dynasty? How were you able to manage initially?*

KM Birla: It was a very difficult time emotionally because my father had passed away almost unexpectedly, leaving behind a huge responsibility. At that time I was pretty much in a fish bowl. I was only 28, but I wasn't a rookie. Even though my experience was limited, I was fortunate to have had high-quality

exposure to the world of business, under my father's tutelage. Having said that, at that point in time, my only thought was to carry forward his legacy. So I decided that I would bury my head in the business, hang in there and just keep going. In a sense, I believe, I was much better prepared. In the first instance, when you grow up in a business family subconsciously a lot of learning happens. It could be just conversations across the dinner table for example.

My apprenticeship during my college days with my father was a great learning. I spent several hours

sitting with him, observing him and asking questions. My education instilled in me an enormous amount of confidence. I had also worked with my father for almost 8 years before his demise. He had given me independent charge of some of our businesses. When he learnt of his illness, he ensured that I sat with him for all his meetings. So for almost 3 to 4 years, I was shadowing him and he was mentoring me. In the process I learnt to deal with different and complex business situations.

I was very fortunate to have the emotional and intellectual equity of a solid team. My father had left me with a great business, a great team and an outstanding organisational legacy. And this made my task of carrying the *Group* forward, doable.

Editor: *You have so many jewels in your crown – Entrepreneur of the Year, 2012, Global Business Leader Award 2012, Indian Business Leader Award 2012, GQ business Leader of the Year Award 2011, All India Management Association Award (2010), Global Indian of the Year Award (2007), and so on. Having achieved so much, what other recognition do you look forward to?*

KM Birla: These accolades, which I am privileged to accept, are a recognition of our entrepreneurial DNA and the culture of excellence that most of our 136,000 employees, spanning 6 continents epitomise. Personally, I believe, one has to do one's best for our Group and its multiple stakeholders and constantly create value. While recognitions do give us a sense of elation and are a pointer that we are on the right track, we do not consciously pursue them. The best rewards – our *Group* being looked upon as an employer of choice, the preferred customer solutions provider, the investor's and shareholder's destination, and being admired and respected by society at large.

Editor: *Under your stewardship and leadership, your empire has grown by leaps and bounds. The US \$40 billion Aditya Birla Group is in the League of Fortune 500. The Group has been ranked Number 4 in the Global 'Top Companies for Leaders' survey and ranked Number 1 in Asia Pacific for 2011. How do you plan to carry forward this legacy? Over the years, your group has grown acquiring other businesses. How do you plan to take it further ahead? Are you satisfied with the present growth?*

KM Birla: Our objective is to build businesses for the long haul – say the next 30, 40, 50 years. Our vision is - 'To be premium conglomerate with a clear focus on each business'. Simply put, this means that we have to be among the top three players in the sectors

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in which we operate. In most of our businesses, we have attained this stature. Our goal is to become a US \$65 billion corporation by 2015. Quite audacious. I firmly believe that the quality of your future is entirely dependent on the quality of your imagination.

We will grow through the acquisitive route as well as organically. In the last 17 years, we have made 26 acquisitions globally and in India, which have helped leapfrog growth. Parallely, we have embarked on aggressive Brownfield and Greenfield expansions. This focus will continue as we move ahead to consolidate and grow our leadership positions.

We have unique strengths, which we will leverage. Let me allude to a few. Firstly, our people. They give our Group its fortitude. They are values-driven and are truly the Group's backbone. We have earned a reputation as an employer of choice that offers a World of Opportunities. We are reckoned as a corporate that places big bets on its people. Most gratifying is the overall perception that we steadfastly follow the highest levels of corporate governance. This contributes substantially to our ability to attract and retain top notch talent. At the end of the day, it is your people who give you the edge. Second, and importantly, we have strong balance sheets, robust cash flows and gearing levels well within reasonable limits. Again, these are assets that are in acute short supply today. Third, is the global presence of our Group. We have the experience of operating in 36 countries. This incredible foundation of global experience gives us the strength to acquire assets or grow organically anywhere in the world, in different cultures and varied business environments.

And finally, our indomitable strength of running low cost, high-efficient and vastly productive operations, through our embedded culture of continuous improvement and innovation, will see us scale new peaks.

Editor: *You are the pride of the CA fraternity. How has the rigorous theoretical and practical training acquired during the course of Chartered Accountancy helped you in your business decisions?*

KM Birla: I believe, both my CA and MBA, which I earned from the London Business School, together



gave me a wholesome and holistic experience that has stood me in great stead. A thorough understanding of accounting, the criticality of figures, getting a perceptive on law and taxation, have enabled me delve into issues in an in-depth manner. The rigour that the CA course demands is in itself a huge learning. MBA helped me see the big picture. It honed my strategic thought processes and soft skills. I took away from my CA and MBA experiences that went far beyond the classroom. They enabled me develop robust mental frameworks that were extremely useful to find my way out of challenging and trying management situations.

Editor: *The world economy is slowly coming out of recession, while the Indian economy is in a much better position. What according to you is the cause behind the resilience of Indian economy?*

KM Birla: India's exposure to the global economy has increased significantly in recent years. So it has not been totally insulated from the economic slowdown in the developed countries. Even so, it was weathered the post-2008 shocks rather well. Undoubtedly, the liberalisation over the past two decades has imparted a degree of dynamism and resilience to the economy. India's corporate sector and entrepreneurs have taken advantage of the more competitive environment to refocus their strategies and become more efficient. Indian companies have become globally competitive

in many sectors, among them IT, pharmaceuticals, and automotive components. In a downturn in the West, when demand dips and profit pressures become acute, companies there have even more reason to source from abroad in order to remain competitive. Further, India's large middle class has continued to drive consumption.

Government policies have largely been, on balance, supportive of a sound economy. The fiscal deficit has been contained and it is budgeted at 4.8% 2013-14. Monetary policy has been prudent, helping to bring down inflation. At a time when OECD economies have close to zero interest rates, Indian is at the other phase of the interest rate cycle, where there is considerable scope for monetary easing. Supported by sound regulation, India's banking system has developed inherent strengths. There has been no over-leveraging or imprudent lending of the kind that took place in many other banking systems. Another positive for the Indian economy has been the string of largely normal monsoons over the past few years, lending to an increase in agricultural output. The recent moves, aimed at paring subsidies in the oil sector, will add considerably to fiscal stability.

Editor: *The problems in Europe have raised concerns about the durability of global growth. How do you expect things to play out? What role India can play in this regard?*

KM Birla: Yes, Europe does have its unique set of issues, related to the economies of southern Europe, particularly Greece, Spain and Italy. Directly or indirectly, most of the problems of Europe trace back to the defects of the Euro. Broadly, the EU is attempting to bring about greater fiscal coordination between its member countries. Japan has also primed the monetary pump to break out of its two-decade slump. That said, the growth prospects for the EU and Japan are severely constrained by its demographics.

There are signs of an economic spring of sorts in the US, what with the revival of the housing sector. The US could well be on its way to achieving a higher degree of energy self-sufficiency, as exploitation of shale oil reserves accelerate. Other than the OECD

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countries, the outlook is for a healthy growth in China, South East Asia, Latin America and Africa. The revival of the global economy could be helped if commodity prices remain subdued. All in all, the world has enough hot spots of growth. Hopefully, governments, central banks and regulators are now better placed to cope with economic and financial turbulence. The past few years have shown that those in charge of the economy can cooperate across borders. The missing piece is a similar show of mature political wisdom.

On balance, I do believe that those who are holding their breath for the economic apocalypse to hit, will probably run out of breath. To the extent that India can play a role in the global economy, it must use its growing clout to urge developed economies to maintain a level playing field and not lapse into protectionism, by raising tariff and non-tariff barriers.

Editor: *Recent Companies Bill has brought the concept of corporate social responsibility at the forefront. Your group works to actively contribute to the social and economic development of the communities and raise the country's human development index. How do you think that a legal provision for CSR will help in the overall development?*

KM Birla: At our Group, we truly practice compassionate capitalism. Service to society is at the very heart of our value system. We attempt to reach out with a sense of purpose to those with distressed lives. We endeavour to find prosthetics for amputated souls, show them a future that they never believed existed for them. Under the umbrella of the *Aditya Birla Centre for Community Initiatives and Rural Development*, we reach out to 7 million people annually, in 3,000 villages.

I am sure many other corporations are also working to dignify the lives of the poor. That said, much more needs to be done to bring in inclusive growth. India's HDI – 134 on 182 countries is truly its low watermark. While the mandatory 2 per cent CSR spend, is almost a fait accompli, I am not very sure about its implementation. My view is that giving should come from the heart. We must find it within ourselves to look beyond ourselves. It is the responsibility of every generation to leave behind a safer, superior, more enlightened world than the one that they inherit. When future generations look back upon us, they must credit us for helping give the world a better tomorrow!

Editor: *Would you please like to share your mantra for a successful professional life with the CA Fraternity?*

KM Birla: One has to dare to dream. Drive the business with an overarching vision, courage, ingenuity,

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foresight and dynamism. One must pay meticulous attention to details and have the ability to be adaptive. Understanding, confronting and mastering challenges is equally important. Surround yourself with people who are smarter than you. Keep learning afresh. Value creation, customer delight, team spiritedness, are all a given. Remember success is never final and reflects only a point in time. You have to keep working at it. There is no substitute to smart hard work.

And above all, sound values, such as integrity, respect, passion and 100 per cent commitment are a must. Great and lasting businesses are never built on the quick sands of opportunism. For us, at the *Aditya Birla Group*, if living by our values means, perhaps growing at a pace slower than we should otherwise have liked, so be it. For us, the key to enduring leadership lies in knowing what we stand for and in living by that. In essence our values provide us with a moral compass, they provide us with our roots and they provide us our wings.

And finally, what does success really mean? How do we measure it? Too many of us tend to define success in terms of designation, compensation, the perks, and whether we are working in a 'prestigious' organisation or not. I believe that such benchmarks are too narrow. They can't possibly inspire you too much. Success, I believe, is a much more holistic idea. It's more about things such as fulfillment, self realisation, happiness and above all, doing good.

Editor: *Apart from being a Chartered Accountant you are armed with a management degree. It is said that there are things that are not taught in B-School. Do you agree? What according to you are the things you learn only by experience and not in classroom?*

KM Birla: B-schools do not arm us with the skills necessary to be able to work in teams. We tend to be very individualistic. This is partly an outcome of our educational system, which necessitates cutthroat competition. It puts a premium on individual achievement and brilliance, at the cost of team or organisational effectiveness. Individual stars are fine but, by themselves, they cannot create the brilliance of a galaxy. In business, one constantly has to interact



with people, and work in teams. Most business situations cut across a swathe of products, geographic and functional areas - and a full range of competencies needs to be deployed to deal with the situation at hand. No one person has all the answers. Naturally, teams are predominant setting for work.

At different points in time, depending on the business needs, you may have to be engaged with multiple teams, move out of one team and connect with a new team. The challenge that confronts you in repeatedly emotionally switching on and off in such environs-and how to deal with it proactively has hitherto not been inked in textbooks. B-schools cannot tutor us on how to manage our emotional perspective. A management education encourages students to take the broad view, a top-down approach. This is fine, as far as it goes. But even the best perspective has to be backed up by action on the ground and this requires getting down to the nitty-gritty.

At B-schools, most of us develop a magnificent obsession with *strategy*. We romanticise it because it seems so cerebral. What we conveniently overlook is that one arrives at a *strategy* only after having paid meticulous attention to the minutest details. And this is required because without delving into details, a strategy can be fundamentally flawed. I do believe that learning to work across cultures, understand the

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nuances of how people in different countries and cultures behave, how they think and their value systems, comes with experience. Up until a decade ago, most businesses in India were, by and large, inward looking, and oriented predominantly towards the domestic market. But globalisation has changed all that. Now we have to look at global competition, global benchmarks and global markets. When business boundaries dissolve to this extent, people have to be able to bridge different cultures.

Again, our education system conditions us to downplay, if not neglect the use of intuition and gut feel, what we call the sixth sense. Actually, intuition is not as random as we make it out to be, nor can it be called unscientific; part of intuition is our knowledge and experiences, processed and distilled, and stored in our sub-conscious. Of course, intuition cannot be a substitute for facts, logic and sound analysis-but it can be a complement to our analytical and logical thought processes. I believe, if you look upon your workplace as a continuing MBA, you will easily plug in the gaps not learnt formally.

Editor: *As Chairman of the SEBI Committee on Corporate Governance, you have authored the report Report of Kumar Mangalam Committee on Corporate Governance. How do you rate the governance standards in the Indian industry? How much scope is there for improvements on that front?*

K. M. Birla: If one wishes to rate or even compare our governance standards globally, India is not far behind. This is evident from the fact that corporations with high standards of governance are well recognised by the stakeholders. This is also reflected in their brand image, market capitalisation, etc.

Having said so, certain issues do need a qualitative makeover such as laying a whistle blower framework to report unethical behaviour, fraud or violation of the company's code of conduct and ethics policy. To enhance investor confidence, a shift towards Corporate Governance Rating similar to credit rating for funding would be worthwhile. Needless to say, these will go a long way in boosting investor sentiments nationally and internationally.

Having said that, I believe that creating a culture of transparent corporate governance works much better than imposition of strict rules. This is possible through systematic reform, such as reorienting our education system, corporate culture and most importantly, instilling the correct core values. ■